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BUDGET SPEECH 2015-2016

Delivered before the National Assembly
by Carlos Leitão, Minister of Finance
on March 26, 2015.



Budget 2015-2016
Budget Speech 2015-2016

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TOGETHER, BUILDING OUR ECONOMY

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INTRODUCTION

Mr. President,

It is with great pride that I table today the second budget of our government. With this budget, the government is sending all Quebecers a message of confidence: together, we are building our economy.

A year ago, I ended the presentation of our first budget by quoting a proverb from my country of birth, *a esperança sempre entra quando deixamos a porta aberta*, which means “hope always comes through an open door.” Budget 2014-2015 opened the door to a more prosperous Québec. Now that hope is becoming reality.

Since taking power on April 7, 2014, we have put sustained effort into restoring fiscal health and spurring economic recovery. We wanted Quebecers to enjoy long-lasting prosperity, one of the fundamental conditions of which was putting the public finances in order.

To that end, we devised a plan. We have carried out that plan.

- For 2014-2015, the deficit stands at \$2.350 billion, the target we set for ourselves last year and which was maintained in December’s economic and financial update.
- For 2015-2016, the target was all the more demanding in that we had to offset a forecast deficit of \$7.3 billion.

After six consecutive years of deficits, our government is honouring its commitment: Québec is finally returning to budget balance in 2015-2016.

The deficits accumulated over the past six years have added almost \$16 billion to the debt. From now on, Quebecers will not go into debt by financing a portion of our current expenditures through an increase in the debt.

Our public finances are on a stronger, sounder footing, a crucial condition for sustainable economic growth.

My colleague the Chair of the Conseil du trésor has tabled, along with the Estimates, the measures adopted to achieve the objective we have set for ourselves.

- From 2013-2014 to 2014-2015, consolidated spending growth was reduced from 5.1% to 2.3%.
- For 2015-2016, it will be reduced again, to 1.5%.

This control of spending, confirmed in recent months, is the result of a collective effort, of all Quebecers. Thanks to that effort, the books have been balanced.

The return to a balanced budget is not the end. Quite the opposite, in fact, it is a point of departure and gives new momentum to Québec.

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A balanced budget is excellent news, but there is more good news.

In 2015-2016, the debt-to-GDP ratio will start to decline, after rising steadily since 2009.

Our government is therefore maintaining its debt reduction objectives, as well as its deposits in the Generations Fund, so as to bring the gross debt down to only 45% of GDP in 2026.

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The economic growth rate should be 1.5% in 2014, compared to 1.0% in 2013. In 2015, it should accelerate to reach 2.0%. Québec exports will be stimulated primarily by the strong U.S. economy and the depreciation of the Canadian dollar, while lower oil prices will sustain domestic demand.

Our actions to promote economic recovery are having an impact on jobs. Since the beginning of our mandate, from May 2014 to February 2015, Québec has created nearly 52 000 jobs.

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Our economic growth is now on solid ground. Our challenge is to ensure long-term development, by creating an environment favourable to growth and maintaining sound finances for the future.

To that end, our government is presenting with this budget a bold economic plan for Québec, with two pillars:

- first, we are strengthening the conditions for economic growth by easing the tax load and stimulating investment and employment;
- second, we are taking the measures necessary to maintain the results achieved with respect to public finances so that the financial soundness regained is not lost.

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I am tabling today the budgetary policy for fiscal 2015-2016.

I am asking for the National Assembly's consent to table the following documents:

- the tables presenting the preliminary results of the consolidated budgetary transactions for 2014-2015;
- the forecasts for the 2015-2016 financial framework.

I am also tabling The Québec Economic Plan and the accompanying documents, which are an integral part of the budget.

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1. TAKE ACTION ON THE CONDITIONS FAVOURABLE TO ECONOMIC GROWTH

❑ **Financial stability: a crucial condition for economic growth and prosperity**

Our public finances are on a more solid footing. They now provide a sound basis for accelerating Québec's economic growth and prosperity, now and for the generations to come.

With this first component of The Québec Economic Plan, we are easing the tax burden, we are stimulating investment and we are fostering job creation.

- Economic growth in the coming years will depend in large part on our ability to counter the impact of demographics, through increased labour market participation, better training for our labour force and productivity gains.
- At the same time, greater stimulation of business investment, the primary driver of prosperity and job creation, is needed.

Thus, economic growth hinges on the confidence and initiatives of individuals and businesses alike. From an economic standpoint, the government's role is to facilitate these initiatives, stimulate them, in other words, to create an environment and conditions conducive to our collective prosperity.

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The report of the Québec Taxation Review Committee, chaired by Luc Godbout, has just been released.

It is a sweeping document in which the committee proposes numerous ways of making our tax system more competitive, more efficient and fairer.

As indicated by the committee in its report, the weight of the tax system is a handicap, because it hampers economic growth and wealth creation. The committee therefore proposed policy directions for the short, medium and long term.

In this budget, we are implementing many of the committee's recommendations, to ease the tax burden of individuals, stimulate business investment and create jobs. The inspiration for over 20 measures in our economic plan was drawn directly from the committee's 71 recommendations.

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❑ **Increase the purchasing power of individuals and foster labour market participation**

Mr. President, The Québec Economic Plan, which the government is introducing today, aims first and foremost to increase the purchasing power of individuals and foster labour market participation.

■ **Gradual elimination of the health contribution**

To increase the purchasing power of individuals, I am announcing that we are delivering on our commitment: the health contribution will be eliminated beginning on January 1, 2017.

This measure is made possible by renewed economic growth and sound management of public finances.

The health contribution will be eliminated over a three-year period.

The health contribution applicable to the lowest income bracket will be eliminated as of January 1, 2017. This will benefit nearly 2.1 million taxpayers. The health contribution applicable to the second and third income brackets will be phased out by 2019, benefiting 2.3 million more taxpayers.

When fully implemented, the elimination of the health contribution will benefit close to 4.5 million taxpayers and put \$1.7 billion back in individuals' pockets by 2019-2020.

By eliminating the health contribution, the government is easing Quebecers' tax burden and boosting their purchasing power, which will fuel growth and economic development.

■ **Implementation of a tax shield**

The government is also acting on another of its commitments, by encouraging greater labour market participation.

The Québec tax system offers individuals significant financial support in the form of transfers. Most of these transfers decrease on the basis of income. As a result, an increase in the wages of certain workers causes a near-flat rise in their income.

To prevent a too-rapid drop in tax transfers from deterring anyone from stepping up their work contribution, I am announcing the implementation of a tax shield beginning on January 1, 2016.

This tax shield, inspired by the Godbout report, will partly offset the decrease in the work premium and the tax credit for childcare expenses following an increase in work income.

Our objective is to reward workers and enable them to get more out of their work.

The tax shield amount will vary according to the family situation and income level of households. The tax shield represents annual tax relief totalling \$52 million as of 2016-2017. This relief will benefit nearly 400 000 workers.

■ **Enhancement of the tax credit for experienced workers**

To provide more incentive to work, the government is also taking two initiatives concerning experienced workers to encourage them to stay on the labour market for longer.

I am announcing the gradual enhancement of the tax credit for experienced workers, as of 2016.

The eligibility age will be lowered from 65 to 63 years of age, and the maximum amount of eligible work income will be raised to \$10 000 by 2018 for workers aged 65 or over.

Once the measure is fully implemented, a 63-year-old worker will be able to claim a tax credit of up to \$900 as an incentive to stay on the labour market. When fully implemented, the enhancement announced today represents support of \$83 million a year.

I am also announcing a phased-in increase of the eligibility age for the purposes of the tax credit with respect to age.

Since 1954, age-related tax relief has been available under the Québec tax system to people 65 or over. The time has come to adjust the eligibility age for the purposes of this tax credit.

The eligibility age for the purposes of the tax credit with respect to age will be gradually raised from 65 to 70 by 2020. This means that current recipients of the tax credit will be able to continue claiming it. The savings generated by this measure will be used to finance the enhancement of the work incentive for experienced workers I have just announced.

Experienced workers' remaining on or re-entering the labour market preserves valuable knowledge and addresses the labour shortage in certain sectors.

■ **A better match between training and jobs**

Labour market participation must be improved by better matching training with jobs. As part of The Québec Economic Plan, the government is undertaking several initiatives to that end.

Over the next five years, we will allocate close to \$125 million to better match training with jobs.

■ The “1% law”

First, the government is making amendments to the *Act to promote workforce skills development and recognition*—the so-called 1% law. The existing mechanism needs to be easier to use and more flexible and efficient.

I am therefore announcing changes to the terms of application of the so-called 1% law to raise the payroll threshold for the purposes of the Act from \$1 million to \$2 million.

This measure will lower the administrative costs of approximately 8 000 small businesses—half the businesses subject to the measure.

To offset the shortfall represented by this measure, I am announcing that the government will allocate an envelope of \$60 million over the next five years to the Workforce Skills Development and Recognition Fund.

In so doing, the government is easing the administrative and regulatory burden of small businesses, while giving greater leeway to the Commission des partenaires du marché du travail.

■ A series of budgetary and fiscal measures

To foster a better match between training and jobs, the government is implementing budgetary and fiscal measures representing \$64 million over the next five years.

I am therefore announcing:

- additional resources for the Workforce Skills Development and Recognition Fund, to support training programs tailored to the needs of businesses;
- 1 000 scholarships in trades relating to vocational and technical training;
- implementation of the Objectif emploi program, to offer individualized assistance aimed at helping new social assistance applicants enter the labour force and, in so doing, confirm that it pays to work.

I am announcing, more specifically, two measures pertaining to on-the-job training, namely:

- higher rates for the tax credit for on-the-job training periods, to bolster opportunities for on-the-job training;
- an increase in the wage subsidy under the workplace apprenticeship program.

In the coming months, my colleague the Minister of Labour, Employment and Social Solidarity will announce the terms of application of these new initiatives.

These measures are only a first step. We are continuing our reflection on how to foster a better match between training and jobs.

■ **An action strategy for immigration**

Meeting the challenge posed by labour market participation also entails counting on immigration. Our government is convinced that immigration is a key asset for growth, our future and the prosperity of Québec. We must step up efforts to help newcomers enter the labour market more easily. We must make full use of their skills.

We know that the lack of recognition of the professional skills of newcomers hinders professional integration. My colleague the Minister of Immigration, Diversity and Inclusiveness and her parliamentary assistant, the MNA for Jeanne-Mance–Viger, will release an action plan in this regard very soon.

The professional integration of newcomers will be the centrepiece of the new policy on immigration, diversity and inclusion on which the government has begun working.

I am announcing additional funding of \$22.5 million over the next three fiscal years to better integrate immigrants into the labour market.

The new policy and the attendant action strategy will be released soon.

■ **Economic and social development of all communities**

Because equal opportunity is an integral part of the prerequisites for growth, our economic plan for Québec includes a significant social component. Our government is implementing a series of initiatives to foster the economic and social development of the various communities that make up Québec society.

In total, the measures implemented as part of Budget 2015-2016 represent support that will reach \$336 million over the next five years.

■ **A new action plan for the social economy**

The social economy holds a significant place in Québec's economy, with more than 7 000 collective enterprises employing over 150 000 people.

I am announcing the implementation of the government's new action plan for the social economy, with funding of \$27 million that will trigger total investments of just over \$100 million over the next five years.

The objective of the action plan will include equipping businesses during their development and supporting the social economy throughout Québec. All regions will therefore benefit.

■ **Follow-up to the Delège report on the fire in L'Isle-Verte**

Among the various measures undertaken by the government to support communities in all regions,

I am announcing the creation of a program to fund the installation of sprinklers in residences for the elderly.

The creation of this program is a direct result of the lessons learned from the tragic fire at the Résidence du Havre in L'Isle-Verte that occurred on January 23, 2014, and follows up on the Delège report on the circumstances surrounding this tragedy.

The government pledged to make it mandatory to install automatic sprinklers in existing private seniors' residences. The financial assistance program will facilitate the necessary investments in this respect. The assistance will be in the form of a subsidy paid to owners of residences, to help them repay loans contracted with financial institutions.

As of 2015-2016, funding of \$4.5 million will be allocated for this purpose. The funding will rise gradually, representing a total of \$70.6 million by 2019-2020.

■ **Payment of municipal taxes by seniors**

I am also announcing the creation of a new program to assist seniors in paying municipal taxes.

The government is therefore following through on a commitment announced in Budget 2014-2015.

Beginning on January 1, 2016, a new assistance program will offset the impact of an increase in property value on municipal taxes. This assistance will be available to people 65 and over who have owned their home for at least 15 years and have a net family income of \$50 000 or less.

■ **Fondation du Dr Julien**

Dr. Gilles Julien is a pioneer in the development of the practice of community social pediatrics in Québec. The network built through his work now includes 16 pediatrics centres across Québec.

I am announcing a contribution of \$22 million to the Fondation du Dr Julien for the next five years, to expand the network to 42 pediatrics centres.

The government plans to contribute up to \$60 million by 2020.

We are thus meeting our commitments from the last election campaign. The objective is to make community social pediatrics care available to 20 000 vulnerable children by 2020.

- **Fighting bullying**

I am announcing that additional appropriations of \$4.4 million will be allocated to the Ministère de la Famille over three years to fund the action plan to fight bullying.

This action plan will be unveiled in the coming months. It will propose flexible solutions tailored to the various sectors in order to fight the scourge of bullying.

The action plan to fight bullying stems directly from the forum held in September 2014. It is the result of a personal commitment of the Premier and the collaboration of all opposition parties. Our government wishes to emphasize the non-partisan nature of the work accomplished.

- **Housing conditions of the disadvantaged**

Our government is pursuing the action it has taken to improve the housing conditions of the underprivileged.

I am announcing investments totalling \$284 million to improve the housing conditions of the disadvantaged.

Of that amount, \$126 million will be allocated to the construction of 1 500 new social housing units under the AccèsLogis Québec program. This investment is in addition to those that have already been made, so that, in the coming years, nearly 14 000 social housing units will be made available to people who need them.

Funding of \$123 million will make 5 800 new units available by 2019-2020 under the Rent Supplement Program. With these new amounts, another 7 300 families will have access to affordable housing, including 1 000 new families this year.

An amount of \$35 million will be invested in improving the housing conditions of low-income households or households with special needs.

I am announcing financial assistance of \$6 million over the next two years to support housing cooperatives affected by the expiry of their agreement with the federal government.

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Mr. President, as you can see, The Québec Economic Plan includes major initiatives for low-income and vulnerable individuals.

Equal opportunity is key to economic growth. Our government believes that prosperity should not pass the less well-off by.

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❑ **Stimulating business investment**

Mr. President, The Québec Economic Plan thus includes substantial measures to increase Quebecers' purchasing power and foster labour market participation.

The Québec Economic Plan also implements major initiatives to stimulate business investment and create quality jobs throughout Québec.

From this standpoint, the growth seen in recent months is highly encouraging. After two years of decline, business investment is picking up.

- After a drop of 7.6% in 2013, investment in machinery and equipment rose by 0.4% in 2014. It is expected to grow by 4.8% in 2015.
- Non-residential investment as a whole is expected to grow by 2.8% in 2015 and 3.8% in 2016.
- Investment growth will be buoyed by rising exports: after an increase of 2.5% in 2014, exports are expected to rise by 3.7% in 2015 and 3.0% in 2016.

■ **The tax system: an excellent tool**

These investments need stimulation, and the tax system is an excellent tool for that purpose. The Québec tax system must compare favourably with the tax systems of Québec's economic partners and create conditions more attractive to business investment.

We are therefore immediately reducing the tax burden of businesses so they can increase their investments.

I am announcing a reduction of business taxes of \$215 million annually when fully implemented.

By 2019-2020, this reduction will make it possible to give back \$500 million to businesses, to foster investment and create jobs.

Regarding business taxation, we are acting on a number of recommendations in the Godbout report, in particular by reducing the general corporate tax rate, redefining the tax system as it applies to SMBs, enhancing the effectiveness of sectoral financial assistance, and supporting business succession and business capitalization.

■ **Gradual reduction of the general corporate tax rate from 11.9% to 11.5%**

Stimulating business investment hinges on reducing the general corporate tax rate.

I am announcing a gradual reduction of the general corporate tax rate from 11.9% to 11.5%.

As of January 1, 2017, the general corporate income tax rate will be cut by 0.1 percentage point a year until January 1, 2020, dropping to 11.5%. On full implementation, this reduction will represent a decrease in the tax load on businesses of \$120 million annually.

Through this measure, the government is giving more than 90 000 businesses in all activity sectors the means to invest more.

This general tax measure is the best way to support growth, business development and job creation. The reduction of the general corporate tax rate to 11.5% will, on full implementation, result in Québec businesses being taxed at the same rate as businesses in Ontario.

This reduction of the general tax rate is partly financed by the reduction of the rate of the tax credit for investments.

The reduction of the general corporate tax rate is a first step in easing the tax load of businesses. The Québec Economic Plan provides for continuing to reduce the tax rate in step with our ability to generate the resources necessary to finance doing so. The Godbout committee recommends that, once the plan has been fully implemented, the general corporate tax rate be lowered to 10%, which would make our businesses more competitive relative to the Ontario tax system.

■ **Tax credit for investments**

Along with the reduction of the general corporate tax rate, the government is changing the terms of the tax credit for investments.

I am announcing the extension, to 2022, of the tax credit for investments relating to manufacturing and processing equipment for the regions, which was to end in 2017.

Manufacturing businesses in the regions will be able to claim a tax credit on their investments, at a rate of up to 24%.

Lastly, I am announcing the extension, for five years, of the tax credit for Gaspé Peninsula and certain maritime regions of Québec, as well as the eligibility for the tax credit of businesses in the recreation and tourism sector located in Îles-de-la-Madeleine.

In this way, the government is taking into account the specific nature of the regions and showing once again its determination to recognize Îles-de-la-Madeleine's insular and maritime nature.

The tax measure concerning Gaspé Peninsula and certain maritime regions of Québec is rounded out by budgetary assistance that will enable businesses to benefit from the continuance of a rail line in Gaspé Peninsula.

I am announcing that the government will acquire the entire railway network from Matapédia to Gaspé. Assistance of almost \$3 million will also be granted to operate and maintain the network.

These measures illustrate the importance the government places on regional issues.

■ **Reduction of the tax burden of SMBs**

SMBs are the main engine of the Québec economy. They account for two-thirds of private sector jobs and 99% of all Québec businesses.

The Québec Economic Plan is aimed at giving SMBs in all regions of Québec a competitive tax system favourable to growth, investment and job creation.

Budget 2015-2016 has two main measures to reduce the tax burden of SMBs. These measures are in addition to those already announced in Budget 2014-2015 and in the December 2014 Update on Québec's Economic and Financial Situation.

■ **Reduction of the HSF contribution rate**

I am announcing the reduction of the Health Services Fund contribution rate, from 2.7% to 2.25%, for all SMBs in the service sector.

The reduction of the contribution rate will be phased in as of January 1, 2017 for SMBs whose total payroll is \$1 million or less. This tax relief will apply to over 210 000 SMBs in all regions of Québec. When fully implemented, this measure will ease the tax burden by \$194 million annually.

■ **Reduction of the tax rate for SMBs in the primary sector**

I am also announcing the reduction, from 8% to 4%, of the tax rate for SMBs in the primary sector, more than 90% of which are businesses in the agricultural, forest and fishing sectors. The vitality of these businesses is essential to the development of the regions.

This reduction will take effect beginning on January 1, 2017. The tax rate for SMBs in the primary sector will be the same as that for SMBs in the manufacturing sector. This reduction will concern over 6 500 SMBs. When fully implemented, it will ease the tax burden by a little over \$28 million annually.

■ **Refocusing of the small business deduction**

These two measures will be financed by a refocusing of the small business deduction.

I am announcing that, as of January 1, 2017, businesses in the service and construction sectors with no more than three employees will no longer be eligible for the small business deduction.

The objective of this deduction is to enable SMBs to free up funds to invest in their growth and create jobs. The refocusing of the small business deduction under The Québec Economic Plan will reassert this objective.

■ Improvement of certain sectoral tax assistance measures

Québec has implemented a number of sectoral tax assistance measures to support activities considered strategic for economic, social and cultural development.

The Québec Taxation Review Committee conducted a thorough examination of this tax assistance, which it discusses in its report.

On the basis of the committee's recommendations, the government is making certain adjustments, primarily in the sectors of the new economy and culture. On full implementation, the improvements will cost approximately \$75 million annually.

These improvements take into account the profitability of the tax expenditures concerned. In the case of the cultural sector, the government is also taking into consideration the contribution of tax expenditures to the development of Québec culture.

I am therefore announcing the adjustment of the tax credits for the new economy.

- The maximum rate of the tax credit for the production of multimedia titles is increased from 30% to 37.5%, with maximum tax assistance set at \$37 500.
- The tax credit for the development of e-business is raised by 6 percentage points and the maximum tax assistance per job is set at \$25 000.

I am also announcing an increase in the rates of the tax credits for Québec's cultural sector.

The government is raising the rates of the tax credit for Québec film and television production. This measure will also apply to co-productions.

In addition, the government is raising to 35% the rates of:

- the tax credit for book publishing;
- the tax credit for the production of performances;
- the tax credit for sound recording production;
- the tax credit for film dubbing; and
- the tax credit for the production of multimedia environments or events staged outside Québec.

The higher rates of the tax credits for Québec's cultural sector will ensure that the profitability necessary to mount quality artistic productions in Québec is achieved.

It is important that, from now on, the rules adopted with respect to tax assistance for businesses be predictable and stable. These announcements complete the revisions made in the past year to tax expenditures pertaining to corporations.

■ Support for business succession

As I said at the outset, the government's role in economic development matters is to bring together conditions favourable to growth, in order to facilitate the initiatives of individuals and businesses alike. Support for businesses must include a component for entrepreneurs themselves and meet the business succession challenge in Québec.

I am announcing funding of \$2 million a year over the next three years to support business succession and mentoring.

In its report, the Québec Taxation Review Committee discusses the issue of business succession, which we raised in the last election campaign in addressing the transfer of ownership in family businesses.

I am announcing that changes will be made to the existing rules, to foster the transfer of family businesses in the primary and manufacturing sectors.

These measures will apply to all small family businesses in the sectors concerned, including farming businesses. These changes will take effect as of January 1, 2017 and will have a financial impact of \$15 million a year.

■ Support for business capitalization

The Québec Economic Plan reaffirms the support provided for business capitalization.

In December 2014, as part of the Update on Québec's Economic and Financial Situation, I announced that \$30 million would be allocated to measures fostering the emergence of venture capital in Québec.

Today, I am announcing that \$15 million of that total is being set aside to develop Québec intellectual property in the video games sector. Another \$15 million is still available for allocation to other sectors.

I am also announcing an additional \$15 million that will go toward stimulating venture capital investment through a fund administered in the city of Québec and to which all regions in Québec will have access.

The government will continue supporting business capitalization through the three tax-advantaged funds, namely, the Fonds de solidarité FTQ, Fondation and the Capital régional et coopératif Desjardins fund. Together, these funds invest more than \$800 million annually in Québec businesses. They are therefore a major asset for investment and job creation in Québec.

I am confirming that the cap on share issues by labour-sponsored funds for fiscal 2014-2015 will be removed as of 2015-2016.

I am also confirming that Capital régional et coopératif Desjardins will be allowed to issue \$150 million in shares for 2015.

Lastly, I am announcing that Fondation's tax credit rate will be set at 20% for fiscal 2015-2016.

In return, the government is asking the tax-advantaged funds to contribute more to Québec's economic development.

I am therefore announcing a gradual increase in the investment requirement, from 60% to 65%, for all three tax-advantaged funds.

■ **Additional support for private investment**

The Québec Economic Plan includes a series of budgetary and fiscal measures to support investment in various sectors of the economy. Over the next five years, the government plans to allocate close to \$130 million to these various initiatives.

The new, enhanced tax holiday for large investment projects, announced a few weeks ago, will apply to investment projects exceeding \$100 million, with this threshold being lowered to \$75 million in designated regions.

■ **Three budgetary measures**

Funding of \$32.5 million is set aside over the next three years to implement the Québec aluminum development strategy.

Over the next four years, the government will invest \$40 million in the carrying out of the second phase of an ecological aircraft project under the responsibility of the Montréal aerospace cluster. An equivalent contribution from the private sector is anticipated, raising investments in this innovative project to \$80 million.

The government will invest \$15 million over the next three years to strengthen the capacity of businesses to innovate. That funding will be used to forge partnerships between researchers and businesses, share knowledge between the next generation and businesses, and protect intangible assets.

My colleague the Minister of the Economy, Innovation and Exports will announce the details of these three measures at a later date.

■ **Digital shift for SMBs**

Québec SMBs must make the digital shift and fully integrate the new information and communications technologies.

In recent years, the government introduced the PME 2.0 program, along with the tax credit for the integration of information technologies in manufacturing SMBs. The government will invest another \$3 million in the second phase of the PME 2.0 program.

I am announcing that the tax credit for the integration of information technologies in manufacturing SMBs is reinstated and broadened to include the primary sector.

■ **Regulatory streamlining**

Our government intends to continue the regulatory streamlining efforts.

To ease the administrative burden for bar and restaurant owners, I am announcing the introduction of a single permit per category of establishment for the sale of alcohol.

In so doing, we are simplifying the regulations applicable to bar and restaurant owners.

■ **Support for the development of the cultural sector**

A few moments ago, I announced improvements to some of the tax assistance for businesses in the cultural sector. The government is also taking several budgetary initiatives on behalf of culture to meet certain priority needs.

Thus, I am announcing that \$24 million will be allocated over the next two years to the Ministère de la Culture et des Communications, to:

- augment the support provided to government corporations in the cultural sector, including the Conservatoire de musique et d'art dramatique du Québec;
- support cultural development agreements in all regions of Québec.

These amounts will be of direct benefit to cultural creators and the dissemination of culture in the regions.

These initiatives continue the steadfast support which successive Liberal governments have provided to the cultural sector, even in tougher fiscal times.

Our culture enables us to affirm our identity and distinctiveness, and bring Québec to a worldwide audience.

■ **Acceleration of infrastructure investment**

Thus, The Québec Economic Plan includes a series of initiatives to stimulate business investment. We are also taking action with respect to public investment.

I am announcing the acceleration, for the next four years, of \$1.4 billion in public investment projects.

The funds for the acceleration come from the \$88.4-billion envelope allocated to the 2015-2025 Québec Infrastructure Plan, as announced in the December 2014 Update on Québec's Economic and Financial Situation. Accelerating the investments will finance the preliminary work for the refurbishment of the Palais des congrès de Montréal and the widening of Autoroute Henri-IV in the city of Québec.

Our commitment to speed up the development of new infrastructure will directly benefit all regions of Québec, with Route 389 between Baie-Comeau and Fermont, the extension of Autoroute 85, and several hospital projects in the regions.

■ **An innovative model for carrying out infrastructure projects**

On January 13, 2015, the government announced a commercial agreement with the Caisse de dépôt et placement du Québec for the carrying out of infrastructure projects. I tabled a bill in that regard last week. If it is passed, \$5 billion could be added to projects already being financed by the government, without increasing Québec's debt.

■ **Rolling out of the maritime strategy**

As soon as it took power, the government made the maritime strategy central to economic development in Québec. As announced by the Premier in January, the maritime strategy is one of the pillars on which we are building economic growth.

The maritime strategy is a major component of The Québec Economic Plan. It is a sweeping project underpinned by the vision of a Québec that takes full advantage of its geographic situation and its know-how to become a hub of marine traffic between eastern North America and the rest of the world. The goal is for Québec to offer, by 2030, cutting-edge infrastructure and have at its disposal the best-trained human resources for that purpose.

The conclusion of the Canada and European Union Comprehensive Economic and Trade Agreement will lead to more trade with Europe, which Québec will be able to take advantage of through the maritime strategy. In fact, the European business community is highly interested in the strategy, as confirmed by Québec's most recent economic missions.

In June, my colleague the Minister for Transport and the Implementation of the Maritime Strategy will unveil this ambitious strategy.

To ensure rapid, concrete implementation of the maritime strategy, the government is announcing investments of more than \$1.5 billion over five years.

These investments will be among the main components of the maritime strategy, and include:

- \$200 million over five years to accelerate investment in Québec's commercial port infrastructure;
- \$400 million over five years to foster the establishment of logistics hubs;
- \$450 million over five years to support private manufacturing investment in industrial port areas;
- \$77 million over five years to expand marine tourism, in particular by developing cruise ship infrastructure in Montréal and the city of Québec;
- \$56 million to extend the tax credit for Gaspé Peninsula and certain maritime regions of Québec and an enhancement for Îles-de-la-Madeleine, as I've already mentioned.

The maritime strategy will thus confirm the investments announced concerning the creation of the Institut maritime France-Québec in Rimouski and the importance placed on training a qualified workforce in the marine sector.

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□ **Developing our natural resources**

Development of our natural resources is another pillar of our economic development.

■ **Relaunching of the Plan Nord**

The relaunching of the Plan Nord is key to our efforts to develop our natural resources.

The Société du Plan Nord, a new government corporation responsible for coordinating implementation of government directions with respect to the Plan Nord, will begin operations on April 1, 2015. The government will soon release a document detailing its vision for the revival of the Plan Nord, as well as the 2015-2020 action plan of the Société du Plan Nord.

The 2015-2016 allotment of the Northern Plan Fund is set at \$77 million. Under the 2015-2020 financial framework of the Northern Plan Fund, forecast expenditure will be \$377 million. The use of the amounts allocated to the Société du Plan Nord will be specified in its 2015-2020 action plan.

■ **Enhancement of the support for mining activity**

The mining sector contributes to the economic development of several regions of Québec.

The previous government's abandonment of the Plan Nord was a contributing factor to the decline in investments in the mining sector. The government is putting in place several measures to support the Québec mining industry. These measures represent nearly \$15 million for the next three years.

I am announcing:

- the postponement, for one year, of the increase in the rates for mining titles;
- a 35% reduction in the minimal cost of work to be done on a claim;
- the renewal, until 2025, of the mandate of the Société d'investissement et de diversification de l'exploration minière (SIDEX) and the extension of its Action-Terrain program;
- additional amounts for enhancing geoscientific knowledge about the area covered by the Plan Nord, and for responsible development of the mining industry;
- the inclusion of environmental studies and community consultations in the definition of exploration expenses.

These initiatives will contribute to the site characterization studies and knowledge acquisition that are vital to the sensible protection of these areas.

■ **Natural gas distribution in the regions**

The Québec Economic Plan also provides for measures to improve natural gas distribution in the regions.

The availability of natural gas is a strategic factor in establishing and developing businesses. As an alternative to heavy fuel oil, natural gas significantly contributes to the reduction of greenhouse gas emissions. The government is therefore continuing the measures already taken to foster the development of the natural gas industry in Québec.

I am announcing that the government is setting aside an envelope of \$38 million for projects to extend the natural gas distribution network. The priority of this envelope will be to extend the gas pipeline in the Bellechasse RCM.

To be eligible, these projects must include a participation by the distributor, an investment by the federal government and a contribution from the sector.

I am also announcing the introduction of an accelerated capital cost allowance for property used in the natural gas liquefaction process. This measure will have a positive impact on the supply of natural gas to the Côte-Nord and Nord-du-Québec regions.

■ **Development of Québec forests and wildlife**

Forests are one of our principal natural resources. The forest sector creates jobs and activities in most regions of Québec.

This year, as part of The Québec Economic Plan, the government intends to prioritize forest industry access to the capital necessary for investment in infrastructure and the development of new products.

I am announcing that the Fonds Valorisation Bois may invest in the pulp and paper sector, innovations targeting new uses for wood fibre, and the upgrading of infrastructure and equipment that make businesses more competitive.

The Fonds Valorisation Bois has capital funding of \$170 million. Since 2012, it has taken equity interests in businesses with high potential in the forest sector.

I am announcing that \$10 million will be allocated in 2015-2016 to the repair of multi-use roads on land in the domain of the State.

This investment will be carried out under the authority of my colleague the Minister of Forests, Wildlife and Parks.

❑ Significant support for the economy

Mr. President, the various measures I have just announced show both the scale and the strategic nature of The Québec Economic Plan we are introducing.

These measures total \$12.6 billion to support the Québec economy.

In focusing on tax relief, investment and jobs, this plan is a crucial pillar of the prosperity we want to give back to Québec and all Quebecers.

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2. PUT THE FUTURE ON A SOLID AND SOUND FOOTING

The second pillar of The Québec Economic Plan is aimed at ensuring that our renewed fiscal health lasts so as to provide a solid and sound footing for sustainable economic growth and prosperity.

For a year, we have taken determined action to balance the budget within the time frame we had announced. We will show the same determination as we continue to tackle the structural causes of the budget imbalance.

The requirement to control public finances is incontrovertible today, but also in the years ahead. In the name of intergenerational fairness, the mistakes of the past must not be repeated. We will put prosperity on solid ground for the long run.

The Québec Economic Plan forecasts average annual consolidated expenditure growth of 2.0% over the next five years.

Thanks to the efforts we are undertaking, the consolidated spending-to-GDP ratio will gradually fall to 24.1% in 2019-2020, its level prior to the 2009 recession.

We are ensuring the financial stability of the Québec state—financial stability that is vital to future prosperity and economic growth. Several initiatives are already in place to successfully meet this major challenge; others will follow.

Allow me to briefly outline them.

* * *

Adopt better budgetary practices

The implementation of better budgetary practices must be continued, particularly to improve management of tax expenditures.

As soon as our government took office, the so-called offsetting mechanism was brought in. Under that mechanism, there can be no new program spending unless program spending of an equivalent amount is cut.

I am announcing that, in future, the offsetting mechanism will apply to tax expenditures.

And since better budgetary practices depend on strengthening accountability and improving transparency,

I am announcing:

- first, that tax expenditures will be subject to mandatory periodic evaluation;
- second, that these expenditures will now be reported on as an integral part of the budget documents;
- third, that our government will introduce, by 2017-2018, a new way of presenting budgetary information to the National Assembly that will give parliamentarians access to information on total consolidated expenditure under the responsibility of each minister.

* * *

□ Remuneration of government employees

The long-term health of our public finances inevitably hinges on appropriate management of remuneration expenditures with respect to government employees, which will represent 59% of program spending in 2015-2016.

Our financial balance is therefore closely tied to our ability to properly manage the remuneration budget. At the same time, we must ensure that all the means are in place for Quebecers to be able to rely at all times on a strong, competent public administration.

Accordingly, the increase in total remuneration must be in line with the program spending growth forecast in the financial framework, and future agreements must take into account both the importance of maintaining public services and the taxpayers' ability to pay.

We are undertaking this process in a spirit of partnership. As we carry on with the collective reflection on our procedures, we invite government employees to be players in these changes.

* * *

❑ **Reforming the government's various areas of activity**

The government undertook a series of major reforms of its main areas of activity to eliminate the imbalance in public finances and preserve its missions. These reforms will continue. Their common denominator could not be simpler: we want the government to deliver quality services to Quebecers in a more efficient manner.

■ **Education**

The education sector has also undertaken to simplify and optimize structures in an effort to ensure top-quality public service in keeping with Quebecers' ability to pay.

With respect to education, our government's aim is to give every child in Québec the best resources in which to develop and grow. Our teachers have a key role to play in building the future of our children.

They must be able to count on quality supports, with homework help, language programs, specialized services, libraries devoted to education, and all manner of teaching tools designed specifically for them. Such resource availability is an integral part of our vision for education of tomorrow.

My colleague the Minister of Education, Higher Education and Research will soon present our 2020-2025 vision for the education system.

This vision will focus on encouraging students to stay in school, emphasizing the importance of the teaching profession, and giving schools more autonomy. It will also have a vocational training component.

Moreover, our government will examine the method used to determine school taxes and the adjustments that can be made.

■ **Health**

In the health sector, the Minister of Health and Social Services is spearheading a major overhaul of services to make them more accessible to the public, while ensuring the sustainability of our system. The reforms currently under way are aimed first and foremost at improving the services delivered to Quebecers by using approaches, such as "super-clinics" and "super-nurses," that have proven themselves elsewhere.

To that end, the minister began by improving the organization and governance of the health and social services network.

Discussion is currently focused on the best ways of solving problems of access to family medicine and specialized medicine services.

The next step will be to optimize the methods of allocating financial resources within the network, through patient-based funding.

To support the implementation of these new funding methods, I am announcing that our government is setting aside \$10 million in 2015-2016, \$20 million in 2016-2017 and \$40 million in 2017-2018.

* * *

□ Improving the governance of public bodies

Improving the governance of public bodies is another of our government's concerns.

With a view to efficient and better services delivered for the respective clientele,

I am announcing four consolidations of public bodies:

- consolidation of the Commission de la santé et de la sécurité du travail, the Commission des normes du travail and the Commission de l'équité salariale;
- consolidation of the Commission des relations du travail and the Commission des lésions professionnelles;
- integration of the services of the Régie du cinéma into the activities of the Ministère de la Culture et des Communications;
- consolidation of the Régie des rentes du Québec and the Commission administrative des régimes de retraite et d'assurances.

Other consolidations are expected to be announced soon as part of the reflection currently under way on existing structures.

I am also announcing that, in the continuation of budgetary streamlining efforts, the government will use net results improvement targets in the 60 or so public bodies defined as government corporations.

These bodies will be free to take the decisions and measures of their choice to achieve the results sought, but they will be fully accountable for the results obtained.

Lastly, I am announcing that a number of initiatives will be implemented to improve the coherence between the budget planning of public bodies and government policy directions. Changes will be made to the rules for adopting the budgets of the bodies in order to make the rules more consistent and stricter.

❑ Giving the government the necessary financial resources

Other structural initiatives are aimed at giving the government the financial resources it needs. Our government plans to act on a number of the Godbout committee's recommendations for the collection of tax revenues.

We will therefore continue to make the fight against tax evasion, tax avoidance and abusive tax planning one of our priorities. To do so, we must step up our talks with the federal and provincial governments to agree on the most effective means of countering these scourges.

We will begin talks with the federal government to find solutions to the problem of collecting sales tax and corporate income tax linked to e-business with the rest of Canada and foreign countries.

We also want to begin talks with the federal and provincial governments to provide better frameworks for the rules pertaining to trusts.

For now, I am announcing the introduction of new integrity rules to counteract certain planning involving trusts.

To improve tax recovery and the fight against crime,

I am announcing the implementation of an agreement to share amounts collected by Revenu Québec further to police investigations.

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CONCLUSION

Mr. President, with Budget 2015-2016, our government's vision for Québec, a Québec whose values and ideals have long nurtured the ambition to create, do, and shine on the world stage, is once again on display.

One year after coming to power, we can be pleased with the progress made and the results obtained. We did not shy away from asking the hard questions in order to eliminate the deficit and get us back on a sound financial footing. We wanted to root our economic action in firm ground, by first balancing the books. Today, we are crossing the finish line of this important phase without raising taxes, as we promised to do in December's Economic Update.

We acknowledge all of the effort to get us here, and give it its full due. Together, we have given Québec back its ability to make the choices and carry out the projects that matter to it.

With the return to fiscal health, this budget is undertaking a bold economic plan, proposing a powerful springboard for action. The levers we are putting in place will enable us to build the future rather than simply take it as it comes. This budget therefore marks a milestone on the path to a more prosperous, stronger, more confident and fairer Québec.

* * *

I have a pragmatic view of politics. My political involvement is couched in a number of fundamental values and convictions. These values and convictions are reflected in, for example, an acute awareness of the obligation we have to leave a better society to future generations.

These values and convictions, shared by all members of the government and, I am certain, by the vast majority of the members of the National Assembly, take shape in The Québec Economic Plan we are announcing today. The actions it undertakes, like those to come, have but one purpose—to restore Québec to prosperity and give Quebecers confidence in the future, this future that Saint-Exupéry said was not to foresee but to enable.

Mr. President, I am proposing that the National Assembly approve the government's budgetary policy.

Thank you.

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Québec government
Summary of consolidated budgetary transactions
Preliminary results for 2014-2015
(millions of dollars)

	2014-2015
CONSOLIDATED REVENUE	
Own-source revenue	77 293
Federal transfers	18 720
Total	96 013
CONSOLIDATED EXPENDITURE	
Expenditure	-86 777
Debt service	-10 333
Total	-97 110
DEFICIT	-1 097
Deposits of dedicated revenues in the Generations Fund	-1 253
BUDGETARY BALANCE ⁽¹⁾	-2 350

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

Québec government
Summary of consolidated budgetary transactions
Forecasts for 2015-2016
(millions of dollars)

	2015-2016
CONSOLIDATED REVENUE	
Own-source revenue	80 716
Federal transfers	19 444
Total	100 160
CONSOLIDATED EXPENDITURE	
Expenditure	-88 091
Debt service	-10 483
Total	-98 574
SURPLUS	1 586
Deposits of dedicated revenues in the Generations Fund	-1 586
BUDGETARY BALANCE⁽¹⁾	—

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

Québec government
Consolidated revenue
Forecasts for 2015-2016
(millions of dollars)

	2015-2016
OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	28 218
Contributions for health services	6 571
Corporate taxes	6 447
School property tax	2 030
	43 266
Consumption taxes	
Sales tax	14 556
Fuel	2 425
Tobacco products	1 093
Alcoholic beverages	527
	18 601
Revenue from government enterprises	
Hydro-Québec	2 750
Loto-Québec	1 130
Société des alcools du Québec	1 040
Other	42
Hydro-Québec revenue allocated to the Generations Fund	-105
	4 857
Duties and permits	2 755
Miscellaneous revenue	9 651
Generations Fund revenue	1 586
TOTAL OWN-SOURCE REVENUE	80 716
FEDERAL TRANSFERS	
Equalization	9 521
Health transfers	5 599
Transfers for post-secondary education and other social programs	1 609
Other programs	2 715
TOTAL FEDERAL TRANSFERS	19 444
TOTAL CONSOLIDATED REVENUE	100 160

Québec government
Consolidated expenditure
Forecasts for 2015-2016
(millions of dollars)

	2015-2016
Expenditure excluding debt service	
Program spending of the general fund ⁽¹⁾	66 460
Other consolidated expenditures ⁽²⁾	21 631
Total	88 091
Debt service	
General fund	8 331
Other budgetary sectors ⁽²⁾	2 152
Total	10 483
CONSOLIDATED EXPENDITURE	98 574

(1) Program spending of the general fund includes transfers intended for consolidated entities.

(2) Includes, in particular, consolidation adjustments.

Québec government
General fund expenditure
Forecasts for 2015-2016
(millions of dollars)

	2015-2016
PROGRAM SPENDING OF THE GENERAL FUND	
Assemblée nationale	128.3
Persons appointed by the National Assembly	90.8
Affaires municipales et Occupation du territoire	1 743.3
Agriculture, Pêcheries et Alimentation	881.7
Conseil du trésor et Administration gouvernementale	1 209.7
Conseil exécutif	404.7
Culture et Communications	670.5
Développement durable, Environnement et Lutte contre les changements climatiques	148.5
Économie, Innovation et Exportations	590.0
Éducation, Enseignement supérieur et Recherche	16 926.6
Énergie et Ressources naturelles	75.0
Famille	2 516.8
Finances (excluding debt service)	146.9
Forêts, Faune et Parcs	449.8
Immigration, Diversité et Inclusion	283.9
Justice	873.9
Relations internationales et Francophonie	94.7
Santé et Services sociaux	32 850.7
Sécurité publique	1 326.1
Tourisme	123.5
Transports	656.2
Travail, Emploi et Solidarité sociale	4 268.4
Total	66 460.0
DEBT SERVICE OF THE GENERAL FUND	8 330.7
TOTAL EXPENDITURE OF THE GENERAL FUND	74 790.7

Québec government
Non-budgetary transactions
Forecasts for 2015-2016
(millions of dollars)

	2015-2016
INVESTMENTS, LOANS AND ADVANCES	-1 845
CAPITAL EXPENDITURES	
Investments	-7 899
Amortization	3 713
Less: PPP investments	443
Total	-3 743
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	3 418
OTHER ACCOUNTS	270
TOTAL FINANCING TRANSACTIONS	-1 900

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

